

# MICHIGAN TRUCKING ASSOCIATION, INC.

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## CHAIRMAN FULTON SHEEN AND MEMBERS OF THE HOUSE COMMITTEE ON TAX POLICY

The Michigan Trucking Association (MTA) appreciates the opportunity to comment on House Bills 4905, 4906, and 4907. House Bills 4905 and 4906 amend the sales and use tax acts, respectively, to repeal the sales and use tax exemptions granted to for-hire interstate motor carriers for their purchase of truck rolling stock and parts affixed thereto, effective October 1, 2005. House Bill 4907 amends the streamlined sales and use tax revenue equalization act to provide for an apportioned sales/use tax exemption.

MTA opposes House Bills 4905, 4906 and 4907.

MTA is the statewide trade association of the Michigan trucking industry. Through its more than 700 members, MTA represents every type and class of motor carrier operating in Michigan.

### Trucking in Michigan

Trucking is one of Michigan's larger industries. Some 250,000 people, or one of every 13 workers in the state are employed in jobs that relate to trucking activities.

The trucking industry serves every community in Michigan, of which two-thirds depend entirely on trucks for delivery of goods and services.

Trucks move approximately 83 percent of Michigan's total manufactured freight—nearly seven times the amount of any other transportation mode—because of the superior door-to-door and cost-effective service provided by motor carriers. The selection of motor freight service over other modes of transportation is made by thousands of Michigan shippers and receivers every day.

Trucks are vital to Michigan's traditionally "truck-dependent" industries such as manufacturing, trade, agriculture, forestry and construction. Only trucks can keep the state's retail establishments' shelves stocked and deliver the materials and supplies needed by Michigan's service enterprises each day. In effect, the trucking industry carries everything of value that somebody wants to get somewhere on time and on one piece.

### Sales/Use Tax Exemption Background

In 1999, the Michigan Legislature passed legislation (signed into law by the Governor) that allows for a full non-apportioned sale and use tax exemption to interstate for-hire motor carriers for the sale, purchase or lease of rolling stock made after April 30, 1999. This exemption applies to qualified trucks, a trailer designed to be drawn behind a qualified truck, and parts affixed to either a qualifying truck or trailer. These items are collectively defined as "rolling stock".

This exemption was enacted to provide economic cost-competitiveness for Michigan-based trucking companies and encourage the growth and viability of the trucking industry in Michigan.

In January 1995, the federal government imposed the economic deregulation of intrastate trucking. This left Michigan based motor carriers open to much fiercer competition than ever before. Foreign companies enjoyed a competitive advantage over Michigan truckers because Michigan imposed a 6 percent sales tax on the purchase of truck rolling stock.

Most states--and all of Michigan's neighboring states—provide a sales tax exemption for trucks purchased by for-hire carriers. These states include Wisconsin, Illinois, Indiana, Ohio, Pennsylvania, Iowa, West Virginia and Missouri.

Since Michigan, or any other state, can no longer erect economic barriers to the entry of non-domiciled competition into the local trucking market, Michigan should not again put its domiciled carriers at a competitive disadvantage by reimposing sales/use tax on rolling stock purchases.

As stated, Michigan's neighboring states have exempted commercial trucks and truck part sales from state sales taxation. It is crucial to know that the point of sale for a truck is nearly irrelevant, since the purchaser can drive to any desired location. Truck buyers routinely could purchase equipment in Indiana, Ohio or Illinois to save hundreds or even thousands of dollars on each purchase.

If Michigan were to reinstate the sales tax on truck rolling stock, it would likely result in reduced truck sales and discourages repairs at Michigan commercial truck dealers. This would have a detrimental impact on jobs in these businesses.

Elimination of the state sales tax on truck rolling stock would abolish modal equity. Presently, railroads, commercial airlines and commercial vessels are exempt from Michigan sales tax on transportation property as well as the purchase of materials for modification or repair of such property.

We respectfully urge you to oppose House Bills 4905, 4906 and 4907. The present exemptions go along way toward making Michigan-based motor carriers more competitive and more productive. A competitive trucking industry is essential to the well-being of Michigan's economy.